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Notes to the accounts for the year ended 31 December 2008

8. Tax

Bermuda

LHL, LICL and LUK have received an undertaking from the Bermuda government exempting them from all Bermuda local income, withholding and capital gains taxes until 28 March 2016. At the present time no such taxes are levied in Bermuda.

United States

The Group does not consider itself to be engaged in trade or business in the United States and, accordingly, does not expect to be subject to United States taxation on its income or capital gains.

United Kingdom

The UK subsidiaries are subject to normal UK corporation tax on all their profits.

	2008 \$m	2007 \$m
Tax charge		
Corporation tax (credit) charge for the year	(0.3)	2.1
Adjustments in respect of prior year corporation tax	(0.4)	0.1
Deferred tax charge (credit) for the year	0.3	(1.1)
Adjustments in respect of prior year deferred tax	0.5	(0.1)
Total	0.1	1.0

	2008 \$m	2007 \$m
Tax reconciliation		
Profit before tax	97.6	391.9
Less profit not subject to tax	(101.9)	(389.0)
(Losses) profits subject to tax	(4.3)	2.9
UK corporation tax at weighted average rate	(1.2)	0.9
Adjustments in respect of prior period	0.1	–
Non-deductible expenses	–	0.1
Other expense temporary differences	1.2	(0.1)
Deferred tax at a rate other than weighted average rate	–	0.1
Total	0.1	1.0

As at 1 April 2008 the standard rate of corporation tax in the UK is 28%. The weighted average rate for 2008 is 28.5%. For all previous periods the standard rate and the weighted average rate was 30%. The current tax charge as a percentage of the Group's profit before tax is 0.1% (2007 – 0.3%) due to the different tax paying jurisdictions throughout the Group.

A current corporation tax expense of \$0.2 million was charged to shareholders' equity during the year (2007 – \$0.4 million), which relates to unrealised investment gains and losses recognised directly in fair value and other reserves within shareholders' equity.

	2008 \$m	2007 \$m
Taxation		
UK corporation tax payable	–	1.2